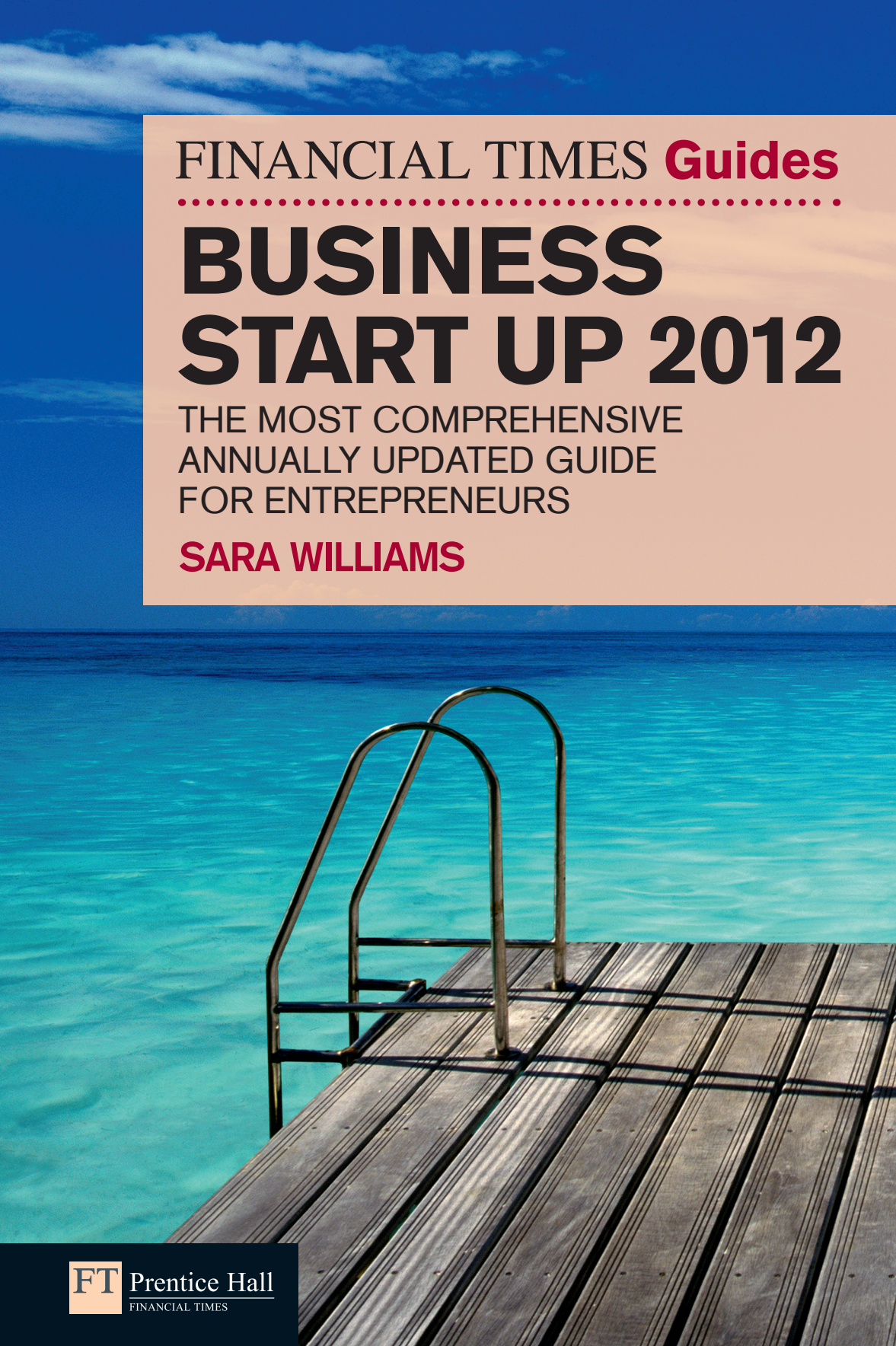




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BUSINESS START UP 2012

THE MOST COMPREHENSIVE
ANNUALLY UPDATED GUIDE
FOR ENTREPRENEURS

SARA WILLIAMS



Prentice Hall
FINANCIAL TIMES

The Financial Times Guide to Business Start Up 2012



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The Financial Times Guide to Business Start Up 2012

Sara Williams

25th edition

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* An asterisk after the name of an organization or source in the text indicates that contact details are given in the References section.

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The number of people who have helped me produce this comprehensive guide continues to grow. My debt to those who commented and supplied information for the original edition remains enormous; they helped me to improve the quality and content of the advice it contains to help you get new enterprises up and running, and keep them that way. For the current edition, the seventh published by Pearson as *The Financial Times Guide to Business Start Up* but the twenty-fifth since it was first published as the *Lloyds TSB Small Business Guide*, the checking and updating was carried out with remarkable efficiency by Jonquil Lowe. I'd also like to thank all the team at Pearson Education for the work they have done in publishing the guide so successfully under its new title.

If you have any comments on the guide, please e-mail smallbusiness@vitessemedia.co.uk.

Note

I have taken every care and effort to check the information and advice in this guide. Nevertheless, with a book as comprehensive as this one the odd slip may occur. Unfortunately, I regret that I cannot be responsible for any loss that you may suffer as a result of any omission or inaccuracy.

Updates and further information

Free updates throughout the year!

The Financial Times Guide to Business Start Up went to press in September, but you can keep up to date with the latest news, economic trends and regulatory developments affecting new and established small businesses by regularly logging on to the web site www.smallbusiness.co.uk.

The site also includes a huge range of tips, ideas and links to useful services across the following channels:

- Start a business
- Small business finance
- Employing staff
- Business banking
- Technology in business
- Legal advice
- Office and homeworking
- Sales and marketing
- Franchise directory
- Women in business
- Business insights

Log on to www.smallbusiness.co.uk – the resource for *your* business's success.

3

A spot of coaching

'I don't have the time' might be the instant reaction of a budding entrepreneur if it is suggested that training or asking for advice would be beneficial. At the other end of the spectrum, there may be people who could make a success of self-employment but 'don't know how to start'.

Training, counselling and seeking advice can all improve your chances of success, so do not dismiss the idea. If you have not yet started on your own, try to fit in some sort of training before you do so. If you are already under way, look around to see what training or help is available to fit in with your schedule – and don't wait until things are going wrong. Give yourself the greatest chance of success and consider it now.

There are an extraordinary number of organizations offering training or help for new or small businesses, including local enterprise agencies*, private training companies, online providers, local colleges, chambers of commerce*, local authorities* and banks. However, the simplest way to tap into the vast majority of these sources is through Business Link* in England, Business Gateway* in Scotland, Business Wales*, or Invest NI* in Northern Ireland. These are government-sponsored organizations that offer you a one-stop shop for finding out about all types of support and information relevant to business. All deliver their information and services through a web site and traditionally have offered local, face-to-face networks too. However, as part of the government's spending cuts, the Business Link regional network in England is to be abolished by November 2011. But the Business Link web site is being expanded and enhanced. There will also continue to be a telephone-based national business support centre.

An important source of local advice, training and mentoring is the network of local enterprise agencies* (LEAs). These are independent, not-for-profit bodies that are dissimilar in name, size, how they are funded and what they can do for you, but share the common aim of supporting small and growing businesses. You can locate your nearest LEA through the National Federation of Enterprise Agencies (NFEA)*.

Training courses

Obviously, the main purpose of attending a training course is to learn new skills and techniques. But a secondary purpose is that it gives you an opportunity to meet people with similar problems and possibly meet potential partners, suppliers and customers.

The diversity of courses available makes it difficult to describe an average course. On the other hand, this very diversity should ensure that you will find a course run somewhere that meets your needs and suits your personality, although obviously you do not want to travel too far.

How long is a course?

The length of courses available varies. There may be a one- or two-day taster. Or there could be a series of short modular courses, attended part-time (say, at weekends, in the evenings or spread over several weeks or months). Learndirect* offers a wide array of courses which you can complete over the Internet at your own pace.

What topics are covered?

The content of most of the general self-employment or small business courses leans heavily on the financial side. Topics such as cash flows, business plans and sources of finance, financial control, tax and book-keeping are covered. There should also be a substantial content on selling and marketing. Apart from these key areas, other topics that may be covered include premises, information technology, employment law, recruiting, time management, exporting, and other legal aspects of business and insurance. HM Revenue & Customs* run workshops around the country on tax-related topics, such as becoming self-employed and taking on your first employee.

As well as general courses, some organizations run more specialized ones, for example a two-day course concentrating on finance or marketing. If

you feel fairly confident in general about your business expertise, this sort of course could help you to brush up your knowledge in your weakest area.

What sort of training?

Inevitably, with a fair number of courses, quite a lot of the information and training is given in a fairly traditional classroom format. However, in all courses there should be discussion and questions. The success of the course can depend as much on the quality and interest of the participants as on the trainers. Before you choose a course, try to find out a bit about the type of participants attending the course to gauge if it is the right level for you.

An increasing number of courses are trying to introduce a 'hands-on' approach. Your business plan will be presented to a trainer and the other course participants for discussion, suggestion and improvement. On a few courses, there may be an opportunity to present your plan to someone from a bank or other source of funds. This could simply be a training exercise. However, if you present your case well, the bank may want to discuss your business idea in more detail.

Attending a course in person is often the best route because of the chance to network with other people. But if this would be difficult – for example, you can't take time away from business during the day – an alternative is online learning. You study over the Internet at times convenient to you and at a pace of your own choosing. One of the biggest providers of courses over the Internet is the government through its *learnirect** initiative, which offers a large range of courses designed for small businesses. If you don't have access to a computer at home, you can study from a learning centre, typically based in local schools, colleges and community centres.

Who runs the courses?

Courses are run by a wide variety of organizations, including training and enterprise councils, local enterprise agencies or colleges of further education or technology. The ideal trainer for a small business course is someone who has had experience of running a business and is a trained tutor. Before you choose a course, look at the backgrounds of the people running it.

A newly launched organization that has government backing is *Start-Up Britain**. Based on a successful US format, this is a web-based resource set up by business organizations to provide a wide range of support for

new and growing businesses. One of its initiatives is StartUp Saturday*, a series of courses for people new to business or wanting to brush up their skills. The courses are held on Saturdays in the stores of Staples, the business supplies retailer, initially in seven locations but going nationwide from September 2011. Each session lasts an hour and can either be taken separately or as part of a full 12-week course, and participants receive a workbook with information and case studies. Topics covered include, for example, researching the market, drawing up a business plan, financial aspects, marketing and selling. Individual sessions cost £10.90 or the whole 12-week course costs £103.15.

One ingredient for successful business training can be the support that you can get before and after the training course itself. To maximize the benefit from the time you spend, look for an organization running the course that can provide mentoring or counselling or has close links with one that does.

How to find a course

A good starting point for locating courses in your area is to contact the following organizations or use the searchable training directories on their web sites: Business Link*, Business Gateway*, Business Wales*, www.nibusiness-info.co.uk (part of Invest NI*) or [learndirect](http://learndirect.com)*. Alternatively you can contact providers, such as local colleges, direct. To find out about colleges in your area, contact the Association of Colleges*. For information about StartUp Saturday*, visit its web site.

How to choose a course

- 1 If you don't know whether training will meet your needs, ask for advice from Business Link, Business Gateway, Business Wales or Invest NI. Alternatively contact the careers advice helpline at [learndirect](http://learndirect.com).
- 2 Decide whether you want a general or specialized course.
- 3 Try to find out about the trainers. Is there a good mix of practical business knowledge and teaching experience?
- 4 Find out about the kind of participants for whom the course is designed and, if possible, the individuals who will be on the course with you.
- 5 Ask if the training is mainly classroom-based. Go for courses with practical emphasis on business plans, especially if there can be a mock presentation for raising finance.
- 6 See if pre- and post-course counselling is provided or easily arranged.
- 7 Check the cost – there may be training allowances available.
- 8 Check whether you can get tax relief on the cost. If the course is connected

to your business and involves updating your skills, you should be able to deduct the cost as an allowable trading expense (see p. 388). If you are acquiring new skills, claim the annual investment allowance (see p. 394).

- 9 Check the hours of the course and, if applicable, find out the childcare facilities. If you cannot get to a course, check out learndirect.

Mentoring, counselling and consultancy

A mentor can give you *ad hoc*, informal advice on any aspect of setting up and running your business. Mentors are people who have been there themselves, having set up their own businesses, and so have a good understanding of the issues you are facing and the options available. Increasingly, you are likely to contact mentors online and may have access to more than one.

Help and advice on a one-to-one basis is given by counsellors. You could approach a variety of advice agencies at any stage of starting a business. Initially, counsellors can help by discussing your idea, and its strengths and weaknesses, and suggesting ways of carrying out market research.

At a later stage, counsellors can help you to prepare a business plan, including cash flows; you may even find a counsellor prepared to approach a bank manager with you. And counsellors will spend time with you if your business is hitting a sticky patch or if you feel you have a weakness in a particular area of your business and need fresh ideas or guidance.

The background of counsellors can vary a lot. All of them should be able to help in discussing your business idea, finding out about markets, preparing plans and budgets, advising on finance and helping you to find your way around the business world. If you need specialist advice or have more detailed problems, your counsellor will be able to help or will know who can.

For established businesses, there may be a need for consultancy on specific topics: design, marketing, quality systems, manufacturing processes and so on. Agencies can signpost you to consultants and may be able to offer help at a 'fair' rate.

Who provides mentoring, counselling or consultancy?

There are several sources:

- 1 *Business Link**, *Business Gateway**, *Business Wales** or www.nibusinessinfo.co.uk (*Invest NI**). If you want to talk to someone face-to-face about your

needs, contact the organization's helpline or use the web site resources. For example, on the Business Link web site, find the Directories section and choose Business Support Finder. You are asked to specify the type of support you need from a list and could choose, say, 'Exchanging ideas and sharing expertise'.

- 2 From June 2011, the government plans to have added a new online service, The Mentoring Gateway, which is to provide access to a network of 40,000 experienced business mentors. At the time of writing, further details had not been announced. Check the Department for Business, Innovation and Skills* web site for updates. Start-Up Britain* has also announced plans to launch an online Mentor Marketplace.
- 3 *Local enterprise agencies* (LEAs)*. These vary in the services they offer, so it is worth checking whether your local one offers any consultancy services. LEAs operate throughout England and Wales. To find your local agency, contact Business Link* or Business Wales*. You can also find your local LEA in England through the National Federation of Enterprise Agencies (NFEA)*.
- 4 *Chambers of commerce**. Local chambers vary greatly in size and the resources they can offer. To find your local branch, see *The Phone Book* or contact the British Chambers of Commerce (BCC)*.
- 5 Other *ad hoc* agencies that may provide support for small businesses, such as Natural England*, English Heritage* and local authorities*, which offer advice and sometimes grants to businesses where this helps also to achieve the particular aims of the agency.
- 6 *Banks*. Many banks offer specialist services for small businesses and have a network of small business centres or advisers. They can direct you to appropriate counselling organizations and information services.
- 7 If you are unemployed and have been claiming Jobseeker's Allowance for more than six months, you may be eligible for the New Enterprise Allowance (NEA). This is a package to help you start up your own business and includes access to a business mentor during the planning phase of your business and the early days of trading. For information, contact Jobcentre Plus*.

Sharing problems with others

The business problem you are currently struggling with is unlikely to be unique; other businesses may have faced similar dilemmas. Picking someone else's brains can be a useful source of ideas and advice – if you can

find the right brains, that is. One way of meeting other business people is to find out if there is a chamber of trade or commerce or a small business club operating in your area. Try asking your local library or LEA* (some enterprise agencies also run small business clubs).

The aims of clubs such as these are variously to promote the growth of small business in a particular area or field, to keep small businesses informed of relevant information and legislation, to provide a social situation in which business can be discussed, to act as a voice for small businesses both locally and nationally and, possibly, to promote trade between members.

You may also find that there are web sites with chat forums, where you may find useful suggestions if you raise a problem. Social networking sites, such as Facebook* and LinkedIn*, are becoming increasingly important as a way of discovering and exchanging ideas with people operating in the same field as you.

If one of your problems is being too small to undertake effective marketing of your products, you could consider working with other businesses by forming a joint venture or consortium. This is sometimes called a purchasing or marketing cooperative. Contact your local Business Link*, Business Gateway*, Business Wales* or Invest NI* to see if they can provide further information and assistance.

The media, books and exhibitions

Some of the national newspapers devote some space specifically to the small business sector. The *Financial Times* (Saturday edition), the *Daily Express*, the *Guardian* and *The Times*, for example, have pages which include business-to-business ads for businesses offering or wanting services, products or money, or businesses to buy and sell or franchises available – but see p. 85 for how to find a business to buy. The pages also have some editorial. There may be an article on the experience of one small business, but there are also usually up-to-date bits of information, for example about training courses, exhibitions, books and new finance packages.

There are quite a number of books written for small businesses. Some of them aim to be comprehensive, such as this one; others are more selective in particular areas. You could contact your local library, whose staff can be very helpful on suggesting sources of information. The Internet contains numerous sites offering general business advice, including Business Link*, Start-Up Britain*

and www.smallbusiness.co.uk sites. Use search engines (see p. 23) to track down other sites covering areas in which you are particularly interested.

At an early stage of your business planning, wandering around business exhibitions can give you some ideas and useful literature. These are also an opportunity to speak to some potential customers and competitors. Ask your Local Enterprise Agency* if there is soon to be a local exhibition or check out the directory of events on the web site of Business Link* or your equivalent organization.

Other organizations

There are many trade associations covering different sectors – and you may gain information or support by joining one of them. There are also three well-known small business organizations that can lobby at a national level.

1. The Federation of Small Businesses*

This is the largest small business organization in the UK, representing over 205,000 small and medium-sized businesses. Its primary role is to act as a lobbying group promoting and protecting the interests of its members. But there are direct membership benefits too, including legal and tax advice, information on employment law and an employment disputes service. Members also get a range of special offers for insurance, factoring and so on. The yearly membership is £120 for a sole trader working alone and £170 for businesses with one to four employees, increasing after that on a sliding scale according to the number of employees. There is also a £30 registration fee in the first year.

2. The Forum of Private Business*

This Forum offers members a range of benefits including, for example, employment law guidance, a credit management service, marketing advice, help finding finance and a general advice helpline. The Forum offers four levels of membership. Introductory membership is free and offers web site and e-mail information; intermediate membership starts at £175 if you work alone, £250 for up to ten people, and includes extra services such as HR and finance templates, business advice and money-saving deals; advanced membership starts at £425 for a sole trader, £500 for up to ten people, and adds in networking events; expert membership is a more expensive package tailored to your business.

3. Professional Contractors' Group*

PCG represents the freelance small business community. Its members include professional freelancers, contractors and consultants in, for example, IT, management, finance, engineering, oil and gas, telecoms and accounting. PCG campaigns on issues such as taxation, agency regulations and e-commerce regulations. Membership benefits include professional expenses insurance (to cover the fees of professionals employed during tax enquiries, VAT disputes and so on), access to free tax and legal helplines, contract templates and preferential rates from a range of suppliers. It also maintains a fighting fund to back suitable legal cases to establish important principles in tax and employment law. Standard membership starts at £120 + VAT for a sole trader or company with one fee-earner.

Advice aimed at specific groups

If you are relatively young and thinking of starting a business, or if you are unemployed with little prospect of obtaining employment, or a woman or from an ethnic minority, or an older person, you are often able to choose more specialized counselling or advice.

If you are from an ethnic minority, you may find that there is a local agency in your area especially to help members of ethnic minorities who start small businesses. Many other agencies now recognize that you may prefer to see a counsellor from an ethnic minority.

Here is some information on three specialist national organizations:

1. Shell *LiveWIRE**

Shell *LiveWIRE* is a UK-wide community investment programme funded by Shell UK Limited to stimulate young people (usually meaning 16 to 30) to explore the option of starting or developing their own business. As well as being active throughout the UK, *LiveWIRE* programmes are now established worldwide.

Through the web site, young people can get free information on all aspects of starting and running a business, for example through an online Business Kit and Library, networking with other entrepreneurs, putting questions to online mentors and finding out where to get further business advice in their local area. Shell *LiveWIRE* encourages sound

business planning and continual monitoring of the business. It also runs an annual young entrepreneur competition with a £10,000 prize and monthly 'grand idea' awards of £1,000 for businesses in their first year of trading.

2. The Prince's Trust*

The Prince's Trust helps unemployed (or working less than 16 hours a week) 18- to 30-year-olds in England, Wales and Northern Ireland to set up and run their own business. It provides advice on employment options, business skills training, planning support, start-up funding and ongoing support from a mentor. Its web site includes a range of useful guides and a business planning pack. Young people on the programme also have access to a range of free or discounted offers, including, for example, online accounting systems, a legal helpline and office rental.

3. The Prince's Initiative for Mature Enterprise (PRIME)*

PRIME is a not-for-profit organization that helps people over 50 start up in business. On joining its free business club, you'll receive a starter pack of information, a list of organizations near you that can help new businesses, and details of training, workshops and other events coming up. PRIME runs taster sessions to help you decide whether self-employment is for you, its own training events and a mentoring service, all of which are free. It publicizes useful events arranged by other organizations, some of which are free and others low-cost. PRIME also lobbies government to remove barriers to older people's employment.

Summary

- 1 A great deal of help and assistance is available to businesses in the UK, much of it free. Please make use of it, as it can help you to avoid mistakes.
- 2 Business Link provides a centralized source of information about what help is available. It is often your best starting point.
- 3 Choose your training course carefully. Check that it is a practical course with emphasis on your own business plans.
- 4 Counselling can be a useful source of advice, not just when you start but also when you have been in business for some time.
- 5 Other business people can provide help and contacts – see if there is a small business club in your area.

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